



S-60/ORP IMPLEMENTATION UPDATE #24 (2/10/18)

PROGRESS REPORT

On February 6, 2018 MTA met with representatives of the State Retirement Board and the Department of Higher Education to review implementation of Section 60.

MTA's goal continues to be ensuring that members get assistance from the SRB and the DHE in paying what the Section 60 law requires, *but paying no more than that*. Accomplishing this calls for attention to SRB regulations, the General Laws, IRS standards, tax consequences, proper identification of the sources of ORP assets, and members' unique circumstances.

Plagued by lack of information available to those affected by Section 60, the implementation process is slowly getting clarified by the two agencies responsible for it.

What follows is a summary of the main topics discussed on February 6th.¹

1. Delay by the SRB in cashing checks, updating service cost and sending "bills"

This work continues to be a problem for the SRB, although we are assured that things will improve when one of their experienced staff members returns from maternity leave in March.

2. Paying those ORP assets still due after transfer of liquid assets

We had a long discussion about how to simplify and expedite the payment of Section 60 costs, and how to get additional information to Section 60 transferees.

One of the recurring questions has been whether Transfer Payout Annuities (TPA's) or Systematic Withdrawals (SWAT's) can be used to pay down one's Section 60 obligations.

¹ For convenience, "EE" refers to "employee," and "ER" refers to employer." The term "EE-funded assets" refers to those ORP assets funded by required employee contributions plus net investment gains and interest, and "ER-funded assets" refers to the Commonwealth's contributions to the ORP account plus net investment gains and interest.

MTA recommended consideration of a different approach to TPA or SWAT installments that are being invested in liquid ORP funds. Once those installments have completely emptied the Traditional account (in 7 years for SWAT's or 10 years for TPA's), all remaining ORP assets would then be liquid and could be transferred in a single transaction from the ORP to the MSERS. This would be helpful for those whose state employment will continue beyond the duration of the TPA or SWAT.

3. Charging interest

The SRB continues its practice of not charging interest where the balance of Section 60 service cost remains in a TIAA Traditional ORP account. The SRB has not determined when it might resume charging interest. MTA urged continuing the moratorium on interest charges and reminded the SRB representatives that no interest can be charged on ER assets or on any EE assets that exceed the service cost.

4. What happens to Traditional ORP assets after payment of the service cost?

To review, another matter relates to payment of SRB bills for service cost balances. Say that a member pays a service cost balance of, for example, \$50,000 from other sources, and there is \$50,000 remaining in his/her Traditional account EE-funded assets. The MTA and DHE position has been that the interest earned in the Traditional account on that \$50,000 after payment of the service cost balance belongs to the member. The SRB now agrees with this, but putting it into practice will require coordination between the SRB and the DHE to ensure that the SRB is paid only what it is owed.

This is not an insurmountable challenge; it just calls for continued attention by both agencies. We will be following up

5. Misplaced assurances

MTA again noted that at least some members who have ORP assets remaining in a TIAA Traditional account after liquid assets have been transferred are being told by SRB staff that they won't owe anything after they pay their service cost. This is dead wrong.

The total price of transferring from the ORP to the MSERS includes the Section 60 service cost, and EE ORP assets in excess of the service cost and all ER ORP assets.

MTA again recommends that you look carefully at your TIAA account to understand the source of your ORP assets and to recognize that you do not own most of what remains in your ORP account.

6. Retiring or leaving soon? Remember the 120-Day Process

As indicated above, certain assets from your TIAA Traditional account (and related TPA/SWAT-based assets) will have to be paid to the state, even if you pay the balance of your service cost.

Within 120 days of terminating your service, you will need to ask TIAA (or Fidelity or VALIC, if you have invested any installment payments with those providers) to pay you your TIAA Traditional assets in one or more lump-sum payments.

The details of this process keep changing, so please monitor the DHE website at www.mass.edu/orp to keep current.

7. Leaving state employment before completing Section 60

Complications caused by termination of state employment (because of death or other reasons) have not been resolved.

This is another area where MTA is urging adoption of consistent procedures by agreement between the SRB and the DHE. One important step that a member should take is to name the same beneficiary under both the ORP and the MSERS.

8. Assistance

For information about your service or cost calculation, or about receiving a bill or paying a bill, or about uncashed checks, contact the State Retirement Board at orpinfo@tre.state.ma.us.

For information about the asset transfer process (including uncashed checks) or RMD's contact the Department of Higher Education at ORP@bhe.mass.edu.

If you are unable to get an answer, or are confused about an answer or where to direct a question, please contact the MTA at orp@massteacher.org.